

DOING BUSINESS WITH EU GRANTS (2000-2006)

PREPARED BY THE U.S. DEPARTMENT OF COMMERCE

This paper was prepared jointly by U.S. Department of Commerce staff at the U.S. Mission to the EU (Brussels, Belgium) and in the Office of Information Technologies (Washington, DC) to assist U.S. IT and telecommunications firms in understanding opportunities in their sectors arising from these grants. As such, this paper highlights those industries. However, opportunities for U.S. firms in other industries exist as well. Please see the INFOREGIO website cited below for a complete list of sectors receiving EU funding during 2000-2006.

SUMMARY

During 2000-2006, the European Union will grant its member states Structural and Cohesion Fund grants totaling US\$187 billion (€13 billion) to undertake projects in a variety of sectors. Most of these projects will be performed by the private sector, in partnership with public authorities. U.S. firms may participate in these projects. Projects in IT and telecommunications are expected to obtain high funding priority from governments who want increased investment in, and use of, these technologies by their businesses and citizens.

What are Structural Funds?

The European Union provides various forms of financial support for economic development within its borders, particularly for underdeveloped regions, to help member states meet EU thresholds. "Structural Fund" grants are given to national, regional, and local authorities for, among others, infrastructure and industrial projects in such sectors as telecommunications, energy, and power. Structural Funds are non-reimbursable grants given to projects intended to boost the economic development of underdeveloped regions throughout all of Europe. Most Structural Fund projects are assessed/approved by relevant local and regional authorities. (Cohesion Funds cover only two sectors, environment and transport; IT and telecom projects are not eligible for these funds.)

U.S. firm eligibility

Eligibility to receive funding for projects is restricted to Europe-based firms. However, U.S. firms may participate in projects receiving EU funding via two methods. 1) U.S. subsidiaries located in any of the 15 European Union countries, and legally registered, are considered "European firms", and, as such, are eligible and 2) U.S. firms without European subsidiaries may partner on a project with a European firm to be eligible. An EU-based local partner is required to ensure access to funding.

What types of projects will be funded?

Projects most likely to receive money are those that contribute to EU priority objectives-- development and structural adjustment of underdeveloped regions, economic and social conversion of areas facing structural difficulties, and adaptation and modernization of policies and systems of education, training and employment. Most grant assistance in 2000-06 will go to such regions in, by order of importance, Spain, (former Eastern) Germany, Greece, Portugal, Ireland, (southern) Italy, Finland, Sweden, and the UK.

Emphasis on IT and telecommunications projects in 2000-2006

IT and telecommunications infrastructure projects, especially if structured as public-private partnerships, will receive high EU funding support during this grant cycle. The EU lags the United States in IT (particularly Internet and e-commerce) adoption and use, and governments seek investments in these technologies to improve productivity and competitiveness. The EU's 1999 *eEurope* initiative calls for increased Internet access, e-commerce adoption, and government use of on-line technologies, among other goals, and many member states have promulgated plans to increase the use of information technologies by their citizens.

Examples of IT/telecom projects which received EU funding in the past are technology promotion (Spain), telecommunications networks (Greece and Italy) and telecommunications services (Ireland and Portugal).

How do projects receive funding?

There is NO LIST of projects that interested firms can consult. Instead, interested firms need to research governments' fund spending priorities to locate opportunities (see next section).

In some cases, governments may not initiate or solicit the projects for which they use EU funding. Instead, they may receive unsolicited project proposals from private sector representatives who understand that country's regional government priorities for fund spending and have tailored their proposals accordingly. In other words, ideas for projects may also come from the private sector, not necessarily the other way around. Projects proposed can either fit into an existing program, listed on the website cited below, or be proposed on their own. Project proposals work best when presented at the concept stage.

U.S. businesses should be aware that eventually, once accepted by the authorities, their project will need to be tendered according to European public procurement directives for the sector in question. In some cases, the project may be open to international tendering, and in some other cases, for more specific projects, other forms of restricted tendering may take place.

How can I locate opportunities relevant to my firm?

The first step is to understand where funding will go within the EU during 2000-2006 and what the recipient's general priorities are for using that funding. The INFOREGIO website, <http://www.inforegio.cec.eu.int>, is administered by the European Commission (DG Regional Policy) and provides both general and specific information on EU structural funding. Specifically, it lists the regional development actions (called "operational programs") that each member state has negotiated with the European Commission to benefit from EU co-financing. Member state authorities and the Commission jointly establish these priorities for action and determine the level of financial assistance to be provided by the EU.

U.S. firms should search this site to locate programs relevant to their interests. The website allows searches for programs by the entire EU, by country, by region, and by sector. Programs are titled by province or a region name and include a classification number, a brief description of the type of "actions" the region is willing to consider, a financial table indicating the total cost of these actions, the EU contribution and national contribution per action, and name and address of the regional authority in charge of the program. Programs are listed at http://www.inforegio.cec.eu.int/wbpro/Prosr/prog_en.cfm

Once a U.S. firm locates a specific program for which it thinks it may be able to develop a project, it should contact the local U.S. Department of Commerce office (in that country) for assistance.

Should I contact the European Commission?

No. The European Commission does not negotiate the financing of projects with the private sector. Each relevant regional authority is responsible for deciding which particular project(s) it wants to support and for working with the private sector.

How the Department of Commerce can help U.S. firms

The U.S. Department of Commerce is eager to help U.S. firms to leverage these EU structural funds. Europe-based Department of Commerce staff can help U.S. firms find partners (if necessary), including EU-based partners or affiliates; help them with the necessary introductions to authorities to present competitive project proposals responsive to EU and local priorities and requirements; and ensure project proposals are processed fairly. U.S. firms that work closely with the U.S. Department of Commerce will increase the likelihood of a larger U.S. market share in these European projects. Although large firms often lead projects, the Department of Commerce will help SMEs participate in consortia as suppliers and subcontractors.

Is the window of opportunity still open?

Yes. Although many regional development plans have been approved, many new operational programs will appear on the INFOREGIO website before the end of 2006. Approximately 700 programs were approved during the previous financing period; only about 120 programs have been approved to date for the current period. However, companies should not wait until the end of the spending period to discuss their project ideas with local authorities. The longer they wait, the less funding will remain.

Opportunities for loans as well

The Structural Funds programs described above offer non-reimbursable grants for projects. But loans from the European Investment Bank (EIB) also represent a possibility. In March 2000, the EIB was involved in the "Lisbon Strategy" decided by the European Council to target lending for some key e-objectives: diffusion of innovation, developing the expertise needed to apply new technologies, R&D by supporting public and private research programs, ICT technology networks (in particular: optical fiber cable networks, with an emphasis on broadband and multimedia infrastructure, as well as wireless local loop and DSL projects) and human capital formation (computerizing schools, universities, and training centers). The EIB will provide €12 to €15 billion for this initiative (called Innovation 2000 Initiative: i2i) during the next three years. The EIB is ready to finance projects to be developed in Europe and emanating from U.S.-based firms. More information can be found on the EIB website at www.eib.org

For more information

For more information on EU grants and EIB loans, contact:

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The Department of Commerce's Office of Information Technologies specializes in helping U.S. IT firms do business overseas. See its website at <http://exportIT.ita.doc.gov>

The Department of Commerce's Office of Telecommunications Technologies specializes in helping U.S. telecom firms do business overseas. See its website at <http://telecom.ita.doc.gov>